

Message Text

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ACTION H-03

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C O N F I D E N T I A L THE HAGUE 4639

E.O. 11652: GDS

TAGS: OREP (BLUM, JACK, & SHIELDS, GEOFFREY)

SUBJECT: STAFFDEL BLUM/SHIELDS

REF: STATE 201608

1 WE HAVE HELD UP REPORTING ON VISIT BY STAFFEDLBLUM TO INCLUDE SOME INFORMATION OBTAINED SUBSEQUENT TO BLUM'S DEPARTURE. DETAILED MEMORANDA ON HIS CONVERSATIONS WITH DUTCH OFFICIALS, DUTCH AND AMERICAN BUSINESSMEN AND EMBASSY OFFICERS ARE BEING SENT UNDER COVER OF AIRGRAM.

2. SUMMARY: DURING HIS VISIT TO THE HAGUE SEPTEMBER 2-4, BLUM MET WITH TWO FIGURES WHOSE NAMES WERE PROMINENTLY FEATURED IN PRESS IN CONNECTION WITH F-104 REPLACEMENT TO NETHERLANDS: DUTCH PARLIAMENTARIAN PIET DANKERT, WHO CLAIMS HE RECEIVED OVERTURE FROM DASSAULT, AND IOHANNES T. GERRITSEN (CLOSE FRIEND OF PRINCE BERNHARD), WHO WAS LINKED PUBLICLY WITH UNUSUAL PAYMENTS BY NORTHROP. EMBOFF CALLED ON GERRITSEN AT HIS REQUEST SEVERAL DAYS AFTER BLUM LEFT. BECAUSE OF BLUM'S INTEREST IN GERRITSEN, WE RECOMMEND THAT DEPARTMENT TELL BLUM OF HIS DISCUSSION. END SUMMARY.

3. IN ADDITION TO APPOINTMENTS SCHEDULED EARLIER, WE ARRANGED SEVERAL VISITS REQUESTED BY BLUM WHILE IN CONFIDENTIAL

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THE HAGUE SEPTEMBER 2-4. BLUM MET AS PLANNED WITH DCM, MAAG CHIEF, ACTING ECONOMIC-COMMERCIAL COUNSELOR, AND (TO DISCUSS PROCEDUREMENT PROCEDURES) AND OFFICIALS VELDE OF FINACE AND VAN DER MAATEN OF

CIVIL AVIATION SERVICE. HE ALSO MET WITH AMBASSADOR, EMBOFFS IN POLITICAL AND ECONOMIC SECTIONS, CONGEN ROTTERDAM OFFICER WHO HANDLED SOME ASPECTS OF EMBASSY LIAISON WITH DUTCH ON F-16 SALE, SECOND CHAMBER MEMBERS A.L. TER BEEK (LABOR PARTY, MEMBER OF FOREIGN AFFAIRS AND DEFENSE COMMITTEE) AND PIETER DANKERT (LABOR PARTY, CHAIRMAN OF FOREIGN RELATIONS COMMITTEE), LOCKHEED REPRESENTATIVE IOHANNES ("HANS") T. GERRITSEN, PRESIDENT OF CHEVRON NEDERLAND AND AMERICAN CHAMBER OF COMMERCE HEAD DANIEL PILIERO, EUROPEAN GENERAL MANAGER FOR CONTINENTAL CARBON COMPANY CHARLES CUNNINGHAM AND MANAGEMENT CONSULTANT CHARLES KOHLINGER.

4. BLUM TOLD HIS SEVERAL LISTENERS THAT SUBCOMMITTEE STAFF HAS SUBSTANTIAL EVIDENCE OF PAYOFFS TO HIGH OFFICIALS IN NUMBER OF COUNTRIES BY AMERICAN FIRMS. HE SAID HE UNDERSTOOD REASON FOR GRATUITIES TO MINOR OFFICIALDOM IN ORDER TO CONDUCT ROUTINE BUSINESS. WHAT CONCERNED HIM WAS THAT AMOUNT OF MONEY BEING PAID BY CORPORATIONS IN QUESTIONABLE TRANSACTIONS IS NOW MANY MILLIONS OF DOLLARS, A CLEAR SIGN THAT PRACTICE IS OUT OF CONTROL; AND THAT PERSONS RECEIVING MONEY ARE SO HIGHLY PLACED THAT THEY HAVE EVEN INCLUDED A HEAD OF STATE AND A MILITARY CHIEF OF STAFF. IT SEEMED OBVIOUS THAT WHEN MAGNITUDE IS IN MILLIONS AND PAYEES AT OR NEAR TOP OF GOVERNMENT, PAYMENTS ARE NO LONGER PRIVATE AFFAIR OF CORPORATIONS MAKING THEM BUT ARE LEGITIMATE CAUSE FOR GOVERNMENT INTERVENTION, SINCE POTENTIAL FOR DAMAGE TO US NATIONAL INTERESTS IS GREAT. IN COURSE OF SUBCOMMITTEE'S CURRENT INVESTIGATION INTO PRACTICES OF MULTINATIONALS, SAID BLUM, LOCKHEED COMPANY HAS ADMITTED TO SPENDING \$202 MILLION IN COMMISSIONS AND KICKBACKS IN ORDER TO SELL ITS L-1011 AND OTHER AIRCRAFT. MOREOVER, ITS EXECUTIVES DEFEND PRACTICE BY SAYING THAT "EVERYBODY DOES IT", AND THAT ONE COULD NOT COMPETE UNLESS ONE CONFIDENTIAL

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DID IT. BLUM SAID THAT HE WANTED TO KNOW WHETHER LOCKHEED IS RIGHT IN ITS ASSERTION AND, IF IT IS, WHAT LEGISLATIVE REMEDIES CONGRESS OUGHT TO CONSIDER. IF IT IS NOT, BLUM SAID, SUBCOMMITTEE IS DETERMINED "TO NAIL LOCKHEED."

5. AMBASSADOR AGREED WITH BLUM THAT LEGISLATION IS NECESSARY TO STOP ANY SUCH BUSINESS PRACTICES AND MADE SOME SUGGESTIONS ON HOW TO DO IT. HE CAUTIONED BLUM, HOWEVER, THAT MORE SENSITIVE INFORMATION BEING OBTAINED BY SUBCOMMITTEE SHOULD BE KEPT CONFIDENTIAL LEST GREAT DAMAGE BE DONE TO US RELATIONS WITH FOREIGN GOVERNMENTS. BLUM ACCEPTED NEED TO HANDLE CERTAIN

MATTERS WITH CARE.

6. BLUM ASKED TO MEET WITH SECOND CHAMBER MEMBER DANKERT WHEN HE LEARNED THAT HE HAD BEEN OFFERED BRIBE BY DASSAULT. DAKERT FREELY DESCRIBED OFFER OF LAND IN FRANCE AND IMPLIED THAT DASSAULT'S REPRESENTATIVE HAD ACTED WITH KNOWLEDGE OF HIGH OFFICIALS IN COMPANY. BOTH DANKERT AND TER BEEK SAID THAT A MILITARY-INDUSTRIAL COMPLEX AS IT IS KNOWN IN US DOES NOT EXIST IN NETHERLANDS. THEY CLAIMED, HOWEVER, THAT DECISIONS ON MILITARY PURCHASES WERE NOT REALLY MADE AT MINISTERIAL LEVEL OR BY PARLIAMENT BUT BY MILITARY TECHNICIANS AFTER PARLIAMENT HAD BUDGETED FUNDS.

7. PERSON ABOUT WHOM BLUM WAS MOST ANXIOUS TO LEARN SOMETHING WAS LOCKHEED REPRESENTATIVE GERRITSEN, CLOSE FRIEND OF PRINCE BERNHARD. WHEN INFORMATION ABOUT GERRITSEN PROVED INSUFFICIENT, BLUM DECIDED TO SEEK FACE-TO-FACE MEETING. GERRITSEN, WHO WAS LOCATED IN THE HAGUE, AGREED. HE GAVE BLUM SURPRISINGLY CANDID ACCOUNT OF HOW HE USES HIS HIGH-LEVEL CONTACTS FOR COMPANIES HE PRESENTS, DESCRIBED HIS TROUBLES WITH DUTCH TAX AUTHORITIES OVER PAYMENTS NORTHROP MADE TO HIS FORMER WIFE WHICH HE DID NOT DECLARE AS INCOME, AND EVEN TOLD OF SUBMITTING FRAUDULENT ENTERTAINMENT VOUCHERS TO ASSURE NORTHROP AND LOCKHEED THAT HE WAS DOING HIS JOB. BLUM OFFERED GERRITSEN CHANCE TO TESTIFY BEFORE SUBCOMMITTEE OR SUBMIT CONFIDENTIAL

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SWORN STATEMENT BUT TOLD EMBASSY THAT GERRITSEN DID NOT RESPOND.

8. ASKED BY BLUM TO SET UP MEETING WITH LEADING FIGURE IN AMERICAN BUSINESS COMMUNITY, WE CONTACTED CHEVRON CHIEF PILIERO, WHO INVITED BLUM, EMBOFFS AND TWO OTHER BUSINESSMEN TO LUNCH. OFF-THE-RECORD DISCUSSION WENT INTO HOW BRIBERY IS WAY OF LIFE IN OTHER COUNTRIES BUT CONSENSUS WAS THAT NETHERLANDS IS "CLEAN".

9. TWO DAYS AFTER BLUM'S DEPARTURE, EMBOFF WAS CALLED BY GERRITSEN AND ASKED TO COME TO HIS OFFICE SEPT 9. GERRITSEN REPEATED MUCH OF WHAT HE HAD TOLD BLUM BUT ADDED THAT DUTCH TAX AUTHORITIES HAVE DROPPED THEIR INVESTIGATION INTO HIS INCOME. HE ALSO SAID THAT HE HS BEEN ASSURED BY JUSTICE MINISTER VAN AGT THAT GOVERNMENT WILL NOT BOTHER HIM REGARDLESS OF WHAT HE HAD DONE. REASON FOR DISCLOSING THIS STARTLING INTERVENTION IS UNCLEAR, JUST AS IS GERRITSEN'S MOTIVE FOR CONTACTING EMBASSY, ONE OTHERPOINT GERRITSEN MADE, HOWEVER, IS THAT HE WOULD BE PLEASED TO MEET WITH

SENATORS ON SUBCOMMITTEE AND TELL THEM ALL HE KNOWS.

10. COMMENT: BLUM MADE FAVORABLE IMPRESSION
ON ALL THOSE WHO MET HIM. HIS COURTESY, INTELLIGENCE
AND SERIOUSNESS ABOUT SUBJECT HE WAS INVESTIGATING
LED PEOPLE TO CONVERSE FREELY. BECAUSE OF HIS INTEREST
IN GERRITSEN, WE RECOMMEND THAT DEPARTMENT TELL BLUM
OF GERRITSEN'S SEPT 9 CONVERSATION WITH EMBOFF AND OF
HIS STATED WILLINGENESS TO SPEAK TO SENATORS ON
SUBCOMMITTEE.
GOULD

CONFIDENTIAL

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